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SUBJECT: WTO HONG KONG MINISTERIAL: CANADIAN REACTIONS

REF: OTTAWA 3586 AND PREVIOUS

1. SUMMARY/INTRODUCTION: Canadian players' reactions to the outcome of this month's WTO Hong Kong ministerial were generally positive, as the declaration keeps alive the promise of greater market access for Canada's competitive sectors such as livestock and grain, while not appearing to threaten quota-based "supply management" in dairy, eggs and poultry (see reftel). Canadian reporters credited the U.S. with taking the initiative on agricultural export subsidies in the lead-up to the meetings. The ministerial has further energized discussion of the structure of the quasi-governmental Canadian Wheat Board and options for reforming it. END SUMMARY/INTRODUCTION

2. GOC: International Trade Minister Jim Peterson and Agriculture Minister Andy Mitchell's joint official statement said: "This text provides scope for Canada to achieve its objectives in key areas. A number of Canadian proposals and ideas are reflected in the Declaration, specifically on non-agricultural market access and domestic support to agriculture. We are also pleased that Canada's objectives have been met on the treatment of sensitive products and on exporting state trading enterprises. While the Hong Kong Ministerial Conference did achieve real progress in the areas of market access for non-agricultural products, services, export subsidies for agriculture, and duty-free, quota-free market access for least-developed countries, much remains to be done. We will work aggressively with members and domestic stakeholders toward completing the negotiations by the end of 2006."

3. PROVINCES: The Province of Alberta noted that the U.S. movement on export subsidies was "a huge step," and expressed confidence that Alberta grain and livestock producers would be globally competitive if subsidies and tariffs were eliminated. Quebec Ministers first claimed partial credit for removing any threat to "supply management" in the final text. After promising to remain vigilant on this front, they then approved other aspects of the declaration, which they said "clears the way to creating conditions for improved market access without compromising our sensitivities."

4. FARM/INDUSTRY GROUPS: The President of the pro-competitive Canadian Agri-Food Trade Alliance (CAFTA) said, "We recognize much of Canada's work in this text on the export competition and domestic support pillars, and we appreciate that. But we also note that Canada advocated the removal of the minimal progress made in the first draft on market access for sensitive products, without achieving any language that would have assured us that Canada is still seeking substantial improvements in market access for our exports even if they are designated sensitive. But this round will not be a success without a meaningful deal on agricultural market access. Our Ministers and negotiators have shown they do have a strong influence on the negotiations." The President of the more protectionist National Farmers Union said, "Canadian farmers should be happy . . . [Ministers], along with trade negotiators and farm leaders, prevented calamity for farmers, at least in the short term." Ontario Federation of Agriculture representatives called on Canadian governments to continue agricultural support payments until they are reduced by WTO agreement, saying "There's no reason we should sacrifice ourselves until everybody plays by the rules."

5. MANUFACTURERS: According to the Canadian Manufacturers and Exporters, "We would have preferred a far more ambitious result, but, compared to the failures in Seattle and Cancun, these talks have restored hope for a more open and fair trading system. CME is pleased by the reference to services in the communiqu , but we still want to see an ambitious agreement on industrial tariffs that cuts deeply into applied rates in both developed and emerging countries. We also believe it will be important to move ahead in sectoral negotiations."

¶6. BUSINESS LEADERS: The Canadian Council of Chief Executives participated in a "Statement by World Business Leaders" which read in part, "A significant amount of work that should have been completed in Hong Kong remains to be done in the year ahead. . . . The gaps between the positions of key WTO member countries remain large. Any further delays or compromises on ambition in getting to a final Doha Round agreement will put worldwide economic growth in

developed and developing countries at risk and may lead to the ultimate failure of this Round. . . . In the next few months, WTO members and negotiators must focus on achieving real results in each of the key negotiating areas. While some initial results have been achieved in trade facilitation negotiations, tremendous work remains in agriculture, non-agricultural market access, and services. On industrial goods, WTO members must agree to substantially reduce remaining barriers on all industrial goods, and they should support zero duties in sectors that wish to see tariffs fully eliminated. On services, time is running out and all members share a responsibility to table proposals and advance negotiations. Members must set out to achieve commercially meaningful progress, including the application of agreed upon benchmarks in certain areas, and a focus on key services sectors that are most ripe for liberalization."

¶7. DEVELOPMENT NGO: The head of the Winnipeg-based International Institute for Sustainable Development wrote that while the commitment to end agricultural export subsidies "is a welcome achievement (if a distant prospect), the problem is that there was no real movement on domestic subsidies. . . . It is worth asking what developing countries got out of this meeting; the Doha Round has since its inception been sold as a ticket out of poverty The harvest for the poor was pretty meagre. . . . The uncertainties that remain offer enough room to swing the final Doha deal from good to bad for Canada -- and for the poor countries of the world."

¶8. CANADIAN WHEAT BOARD: The CWB said, "The wording in this new text means that the CWB's existence will not be on the table at the WTO. This will make it more difficult for the United States to achieve its objective of eliminating our marketing system." A spokesperson was quoted saying that under commitments made prior to Hong Kong, "farmers in Canada are still poised to lose their government guarantees of initial payments and Wheat Board borrowings under a new [WTO] deal, with still no signs of any meaningful reductions in European or American domestic farm subsidies or any real improvements in market access issues."

¶9. COMMENT: There were no surprises among the reactions quoted above, and the Hong Kong meeting prompted relatively little further discussion in Canadian media. While Canadian political leaders seem unanimously committed to defending "supply management" in the dairy, egg and poultry sectors, discussion of the future of the Canadian Wheat Board is much more dynamic. The CWB was once a GOC-owned corporation and its monopoly on the export of certain grains is enshrined in Canadian law, but it is now run by a board of 15 directors, ten of whom are elected by grain producers and five of whom are appointed by the GOC. The Board election process is currently being debated. The GOC minister responsible for the CWB, Treasury Board President Reg Alcock, was recently quoted saying "I believe the board is going to evolve into further farmer control There are a number of possibilities."

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